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March 27, 2008

FEDEX

Ms. Elizabeth O'Donnell
Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

RECEIVED

MAR 28 2008

**PUBLIC SERVICE
COMMISSION**

Re: Case No. 2008-00009

Dear Ms. O'Donnell:

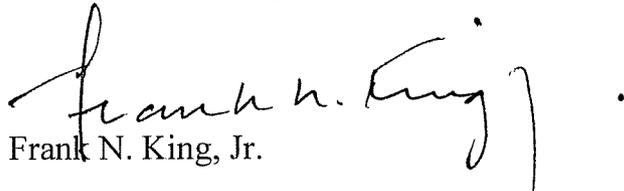
Enclosed herewith please find the original and six (6) copies of Response of Kenergy Corp. to First Data Request of Commission Staff for filing in this case. I hereby certify that a copy of this letter and the Response have been served on those listed on the attached service list.

Your assistance in this matter is appreciated.

Very truly yours,

DORSEY, KING, GRAY, NORMENT & HOPGOOD

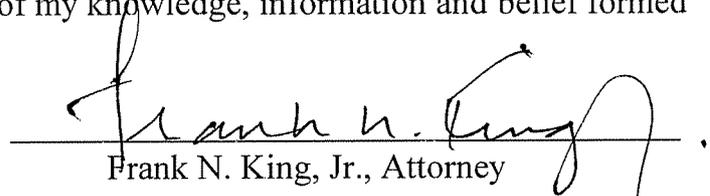
By


Frank N. King, Jr.

FNKJr/cds
COPY/w/encls.: Service List

CERTIFICATION

The undersigned hereby certifies that he is the preparer or the person supervising the preparation of this response on behalf of Kenergy Corp. and that each response is true and accurate to the best of my knowledge, information and belief formed after reasonable inquiry.

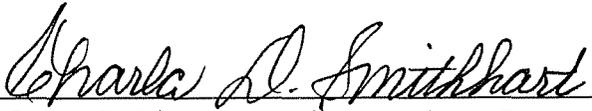

Frank N. King, Jr., Attorney

STATE OF KENTUCKY

COUNTY OF HENDERSON

The foregoing was signed, acknowledged and sworn to before me by
FRANK N. KING, JR. this 27th day of March, 2008.

My commission expires September 29, 2009.



Notary Public, State of Kentucky at Large

(seal)

Case No 2008-00009
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RESPONSE OF KENERGY CORP. TO FIRST
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1 **ITEM 1:** In the application in Case No. 2007-00455, Big Rivers Electric
2 Corporation ("Big Rivers") contends that its proposed Rebate Adjustment
3 mechanism, the proposed Member Rate Stability Mechanism, and the
4 proposed Unwind Surcredit can be implemented through the procedure
5 contained in KRS 278.455(1). Kenergy's application cites several statutes and
6 administrative regulations that it believes authorize the requested approvals.
7 However, no mention is made of KRS 278.455 as authority for the requested
8 approvals and no analysis has been submitted demonstrating compliance with
9 the requirements of 807 KAR 5:007.

10 a. Explain in detail why it appears Kenergy has not relied on KRS
11 278.455 and 807 KAR 5:007 as the authority for approval of its proposed
12 Rebate Adjustment Rider, the proposed Member Rate Stability Mechanism
13 Rider, and the proposed Unwind Surcredit Rider.

14 b. Does Kenergy believe that KRS 278.455 and 807 KAR 5:007 are
15 not applicable to the current application? Explain the response.

16

17 **RESPONSE:**

18 (a) Kenergy has relied on the cited authorities and all other applicable law which
19 would include KRS 278.455 and 807 KAR 5:007. See Exhibit JDG-8 for an
20 analysis demonstrating compliance with the requirements of 807 KAR 5:007.

21

RESPONSE OF KENERGY CORP. TO FIRST
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1 (b) No, Kenergy believes they are applicable. The US, Rebate Adjustment, and
2 MRSM result in revenue reductions that do not change existing rate designs and
3 are to be applied directly to direct serve customers in proportion to the
4 corresponding amounts to be credited by Big Rivers and proportionately to each
5 non-direct serve class and tariff on a kWh sales basis. This treatment is the same
6 as is used for Kenergy's Schedule WDAR, Meade County's Wholesale Power
7 Cost Adjustment and Jackson Purchase Energy's Cost Reduction Adjustment. The
8 latter two were authorized by the Commission pursuant to KRS 278.455 in Case
9 No. 2000-413 and Case No. 2000-415, respectively.

10

11

12 **WITNESS:** Jack D. Gaines

RESPONSE OF KENERGY CORP. TO FIRST
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1 **ITEM 2:** Refer to the Application, page 4. Kenergy has requested authority
2 to show the five Big Rivers' tariff riders in one of three ways on customers'
3 bills. Kenergy contends that this authority would allow it to "exercise
4 discretion in choosing the option to insure the intended zero net effect of the
5 five (5) corresponding retail tariff riders until their net effect is no longer zero
6 and to simplify as much as reasonably possible the form and the content of the
7 customers' bills."

8 a. Currently, does Kenergy reflect all applicable rates, charges,
9 credits, and riders as individual line items on its customers' bills? If no,
10 describe the exceptions to this level of detail.

11 b. If the response to part (a) is yes, explain why Kenergy should
12 have the option of treating the five Big Rivers' tariff riders differently on
13 customers' bills than it treats other rates, charges, credits, and riders.

14 c. Assume for purposes of this question that the Commission
15 requires Kenergy to disclose the five Big Rivers' tariff riders separately on
16 customers' bills. Would there be any need for the proposed Unwind Rider -
17 Composite Factor ("URCF")? Explain the response.

18

19 **Response:**

20 (a)Yes.

RESPONSE OF KENERGY CORP. TO FIRST
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1 (b) URCF would only apply so long as the net of the five corresponding Big
2 Rivers tariff riders is zero. Kenergy's application is requesting the option to treat
3 these five riders differently by not showing them on the customer bills only so
4 long as their net can be reduced to zero. Nevertheless, Kenergy plans on showing
5 all five riders on the customer bills at all times and does not plan on showing the
6 URCF rider.

7
8 (c) URCF was developed to meet two objectives. First, it ensures a zero retail bill
9 impact from application of the FAC, ES, US, Rebate Adjustment and MRSMS so
10 long as the combined effect of the corresponding Big Rivers tariff riders is zero on
11 the wholesale bill. Second, URCF can help to simplify the retail bill. Although the
12 retail rate riders without Schedule URCF are designed to pass through the net
13 effect of the Big Rivers tariff riders and are expected, as shown by the example
14 calculations provided as Exhibit JDG-8, to achieve net monthly factors of zero
15 until the expiration of the MRSMS, there is a concern that the imprecision of retail
16 billing primarily related to billing adjustments that occur from time to time may
17 cause a net monthly factor that is not zero even while zero is the net charged by
18 Big Rivers. If that happens, URCF would show a zero factor charge in lieu of the
19 five factors that may not net to zero.

20
21 As stated above Kenergy plans on showing the five riders on the customer bills at
22 all times and does not plan on showing the URCF rider.

23
24
25 **WITNESSES:** Jack D. Gaines and Sanford Novick

RESPONSE OF KENERGY CORP. TO FIRST
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1 **ITEM 3:** Refer to the Application, page 6. Kenergy stated that it will need
2 to make "non-substantive changes to some of its existing tariff schedules that
3 are not mentioned herein, depending on the terms of the Commission's final
4 order in this case." Kenergy indicated that it would submit a request for
5 approval of those changes at the convenience of the Commission and as
6 directed.

7 a. Provide a schedule listing all changes to existing tariff schedules
8 anticipated by Kenergy that have not been submitted as part of the current
9 application. In addition, include a description of the nature of the change and
10 why Kenergy anticipates the change will be needed.

11 b. Explain in detail why the anticipated changes to Kenergy's
12 current tariff schedules were not proposed or disclosed as part of the current
13 application.

14

15 **RESPONSE:**

16 (a) Kenergy will need to change its sample bill tariff schedules. No other tariff
17 changes are contemplated but Kenergy is prepared to make such changes as may
18 be directed by the Commission.

19

20 (b) Kenergy does not know what changes may be specifically ordered by the
21 Commission or may be required as a result of the Commission's order.

22

23 **WITNESS:** Jack D. Gaines

RESPONSE OF KENERGY CORP. TO FIRST
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1 **ITEM 4:** Refer to Exhibit 1 of the Application, the proposed Fuel
2 Adjustment Clause ("FAC").

3 a. Compare Kenergy's proposed FAC with the FAC it previously
4 had in effect until 1998, identifying all differences and explaining why the
5 currently proposed FAC is the preferred version.

6 b. Would Kenergy's proposed FAC be subject to the periodic
7 reviews prescribed in 807 KAR 5:056? Explain the response.

8

9 **RESPONSE:**

10 (a) There are no practical or implementation differences between the Kenergy
11 proposed FAC and the FAC used by the predecessor Green River Electric
12 Corporation until 1998. The proposed tariff is a separate tariff with more thorough
13 and detailed definitions but the mechanics and the application are the same.

14

15 (b) Yes, to the extent applicable.

16

17 **WITNESS:** Jack D. Gaines

RESPONSE OF KENERGY CORP. TO FIRST
DATA REQUEST OF COMMISSION STAFF
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1 **ITEM 5:** Refer to Exhibit 2 of the Application, the proposed
2 Environmental Surcharge ("ES Rider").

3 a. Compare Kenergy's proposed ES Rider with the ES Rider it
4 previously had in effect until 1998, identifying all differences and explaining
5 why the currently proposed ES Rider is the preferred version.

6 b. Would Kenergy's proposed ES Rider be subject to the periodic
7 reviews prescribed in KRS 278.183? Explain the response.

8

9 **RESPONSE:**

10

11 (a) There are no practical or implementation differences between the Kenergy
12 proposed ES and the ES used by the predecessor Green River Electric Corporation
13 until 1998. The proposed tariff has more thorough and detailed definitions but the
14 application is the same.

15

16 (b) Yes, to the extent applicable.

17

18

19 **WITNESS:** Jack D. Gaines

RESPONSE OF KENERGY CORP. TO FIRST
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1 **ITEM 6:** Does Kenergy have any special contracts under which the rates
2 are subject to change or adjustment only as stipulated in the contract? If yes,
3 list the contracts.

4

5 **RESPONSE:**

6 Kenergy presently has 15 special contracts. Two (2) of these are with the smelters
7 Alcan and Century. Their current contracts each provide in section 31 as follows:

8

9 This Agreement may be amended, revised, or modified by, and only
10 by a written instrument duly executed by both Parties.

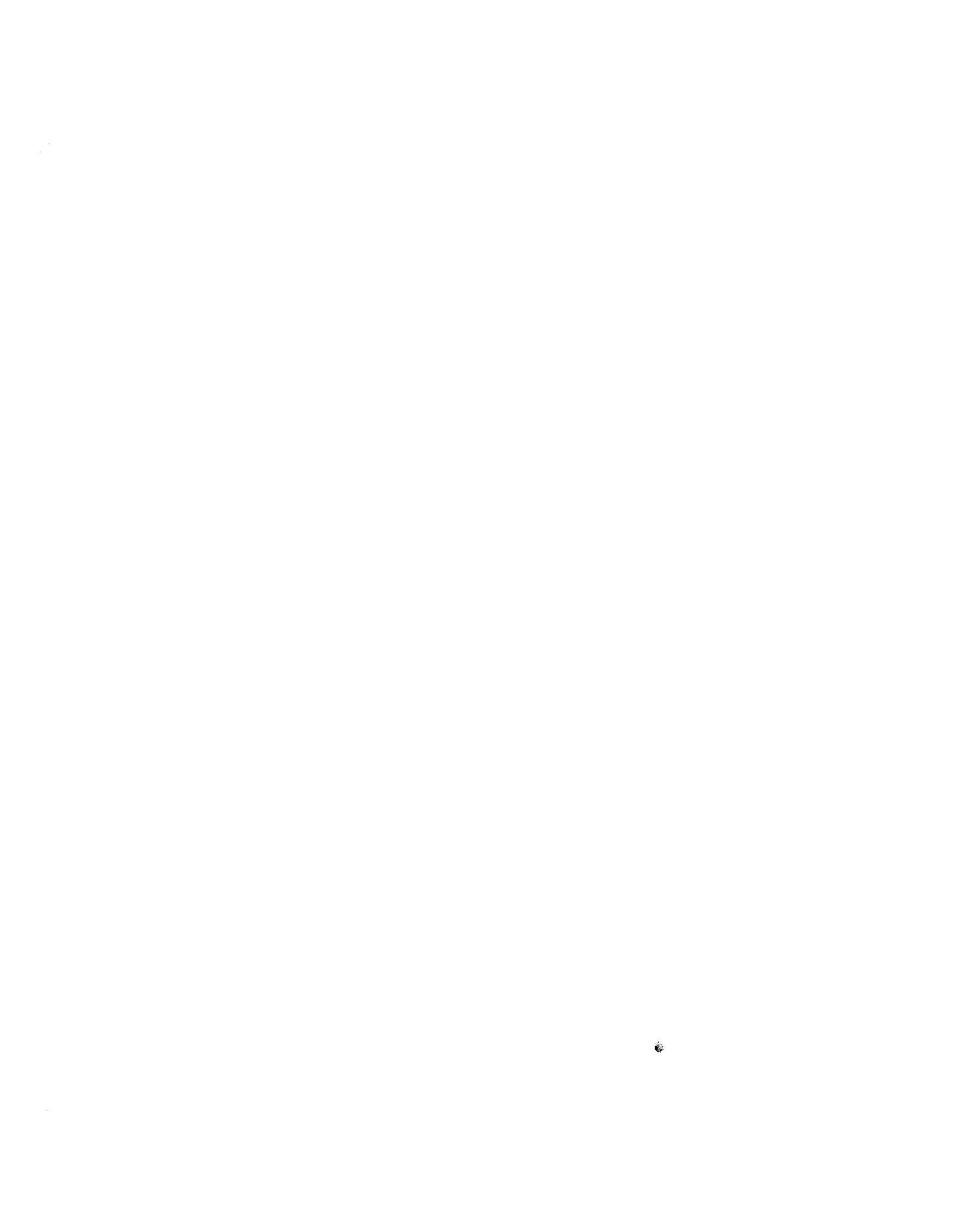
11

12 The remaining 13 special contracts contain variations of clauses that recognize
13 that if Kenergy's wholesale rate is modified, Kenergy may make corresponding
14 modification, and that the contracts are subject to such changes as may become
15 effective from time to time by operation of law or by order of the Kentucky Public
16 Service Commission. These 13 contracts do not expressly state that rates are
17 subject to change or adjustment only as stipulated in the contract.

18

19

20 **WITNESS:** Sanford Novick



RESPONSE OF KENERGY CORP. TO FIRST
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1 **ITEM 7:** Exhibits 3 through 5 of the Application contain Kenergy's
2 proposed riders for the following Big Rivers' tariff riders: the Unwind
3 Surcredit Adjustment Clause, the Rebate Adjustment, and the Member Rate
4 Stability Mechanism. For each of Kenergy's proposed riders,

5 a. Will the formula produce a rate change that does not change the
6 rate design currently in effect for Kenergy? Explain the response.

7 b. Will the formula result in a revenue change that has been
8 allocated to each customer class and within each tariff on a proportional basis?
9 Explain the response.

10 c. If the response to either part (a) or part (b) is yes, provide an
11 analysis supporting the positive response.

12

13 **RESPONSE:**

14 (a) Yes, the US, Rebate Adjustment and MRSM rate changes do not change the
15 existing rate design. Every charge in the base rates remains the same.

16

17 (b) The revenue effects of the US, the Rebate Adjustment, and the MRSM are to
18 be directly assigned to direct serve customers in direct proportion to the
19 corresponding amounts to be credited by Big Rivers and proportionately to each
20 non-direct serve class and tariff on a kWh sales basis.

21

22 (c) See Exhibit JDG-8 filed with the application.

23

24 **WITNESS:** Jack D. Gaines

RESPONSE OF KENERGY CORP. TO FIRST
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1 **ITEM 8:** Refer to Exhibit 6 of the Application, the proposed URCF. The
2 only purpose of the proposed URCF appears to be as an alternative to
3 disclosing the five Big Rivers' tariff riders separately on customers' bills.

4 a. Does Kenergy agree with this description of the purpose for the
5 URCF? Explain the response.

6 b. Is Kenergy aware of this Commission approving a tariff rider
7 similar to the proposed URCF? If yes, identify the utility and the specific
8 tariff.

9

10 **RESPONSE:**

11 (a) URCF was developed to meet two objectives. First, a zero retail bill impact
12 from application of the FAC, ES, US, Rebate Adjustment and MRSM so long as
13 the combined effect of the corresponding Big Rivers tariff riders is zero on the
14 wholesale bill. Second, URCF can help to simplify the retail bill while the net
15 effect of the Big Rivers wholesale riders is zero.

16

17 (b) No.

18

19 **WITNESS:** Jack D. Gaines

RESPONSE OF KENERGY CORP. TO FIRST
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1 **ITEM 9:** Refer to Exhibit 8A of the Application, the proposed Small
2 Power and Cogeneration (Over 100 kW - Customer Sells Power to Big
3 Rivers). Provide a narrative that describes how the provisions of the proposed
4 tariff comply with each applicable section of 807 KAR 5:054. Note any
5 exceptions and provide the reason(s) for each exception.

6

7 **RESPONSE:**

8 Kenergy's currently effective tariff Schedule 44 – Small Power and Cogeneration
9 (Over 100 kW) (Customer Sells Power to Big Rivers) was authorized by the
10 Commission in Case No. 2000-395 and therefore found to be in compliance with
11 807 KAR 5:054. The changes to Schedule 44 proposed by Kenergy in Case No.
12 2008-00009 do not affect the applicability of the tariff or any features of the tariff
13 required by the regulations and therefore Schedule 44 as proposed remains in
14 compliance with 807 KAR 5:054. The changes to the tariff proposed by Kenergy
15 are only to incorporate the changes to the Rate Schedule 8 - BIG RIVERS
16 COGENERATION AND SMALL POWER PRODUCTION PURCHASE
17 TARIFF – OVER 100 KW filed by Big Rivers in Case No. 2007-00455.

18

19 Notwithstanding the foregoing, Kenergy's proposed Schedule 44 is available to
20 any customer of Kenergy having a total generator design capacity over 100 KW
21 who qualifies as a cogenerator or small power producer pursuant to Regulation
22 807 KAR 5:054 of the Kentucky Public Service Commission. Like the currently
23 effective Schedule 44 approved in Case No. 2000-00395, the proposed Schedule
24 44 provides that all power sold by a QF will be sold to Big Rivers. The purchase
25 rate set forth in Schedule 44 is the Big Rivers formula that allows the Commission
26 and Big Rivers to determine Big Rivers' appropriate avoided costs pursuant to
27 section 5 of 807 KAR 5:054. Schedule 44 provides that an interconnection
28 agreement involving Kenergy, Big Rivers, and the QF customer must be executed.
29 Schedule 44 provides that such interconnection will be made consistent with
30 section 6(6) of 807 KAR 5:054. Among other things, Schedule 44 provides that
31 the qualifying facility; (i) must provide good quality electric power within a
32 reasonable range of voltage, frequency, flicker, harmonic currents, and power

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1 factor, (ii) provide reasonable protection for Big Rivers' and Kenergy's systems,
2 (iii) design, construct, install, own, operate, and maintain the Qualifying Facility in
3 accordance with all applicable codes, laws, regulations, and generally accepted
4 utility practices, and (v) reimburse Big Rivers and Kenergy for all costs incurred
5 as a result of interconnecting with the QF, including operation, maintenance,
6 administration, and billing. In addition, Schedule 44 provides that during system
7 emergencies, Big Rivers may discontinue purchases or the QF may be required to
8 provide energy or capacity in accordance with section 6 of 807 KAR 5:054.

9
10
11 **WITNESS:** Jack D. Gaines and Sanford Novick

RESPONSE OF KENERGY CORP. TO FIRST
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1 **ITEM 10:** Refer to Exhibit 9 of the Application, the proposed Small Power
2 and Cogeneration (Over 100 kW - Customer Buys Power from Kenergy)
3 tariff. Provide a narrative that describes how the provisions of the proposed
4 tariff comply with each applicable section of 807 KAR 5:054. Note any
5 exceptions and provide the reason(s) for each exception.

6

7 **RESPONSE:**

8

9 Kenergy's currently effective tariff Schedule 45 – Small Power and Cogeneration
10 (Over 100 kW) (Customer Buys Power from Kenergy) was authorized by the
11 Commission in Case No. 2000-395 and therefore found to be in compliance with
12 807 KAR 5:054. The changes to Schedule 45 proposed by Kenergy in Case No.
13 2008-00009 do not affect the applicability of the tariff or any features of the tariff
14 required by the regulations and therefore Schedule 45 as proposed remains in
15 compliance with 807 KAR 5:054. The change to the tariff proposed by Kenergy is
16 to incorporate the changes to the Rate Schedule 9 - BIG RIVERS
17 COGENERATION AND SMALL POWER PRODUCTION PURCHASE
18 TARIFF – OVER 100 KW filed by Big Rivers in Case No. 2007-00455.

19

20 Notwithstanding the foregoing, Kenergy's proposed Schedule 45 is available to
21 any customer of Kenergy having a total generator design capacity over 100 KW
22 who qualifies as a cogenerator or small power producer (QF) pursuant to
23 Regulation 807 KAR 5:054 of the Kentucky Public Service Commission.
24 Schedule 45 is designed to pass through Kenergy's cost to purchase power from
25 Big Rivers for resale to a QF when such power is purchased by Kenergy under Big
26 Rivers' Rate Schedule 9. Big Rivers' rate schedule 9 sets forth the terms and
27 conditions, and rates applicable for services required by section 7(7) of 807 KAR
28 5:054. Those services are: supplementary power, back-up power, maintenance
29 power, and interruptible power. Schedule 45 flows through Kenergy's costs from
30 Big Rivers for the specified services. Schedule 45 provides that a retail adder will
31 be determined by special contract on a case by case basis.

RESPONSE OF KENERGY CORP. TO FIRST
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1 **WITNESS:** Jack D. Gaines and Sanford Novick